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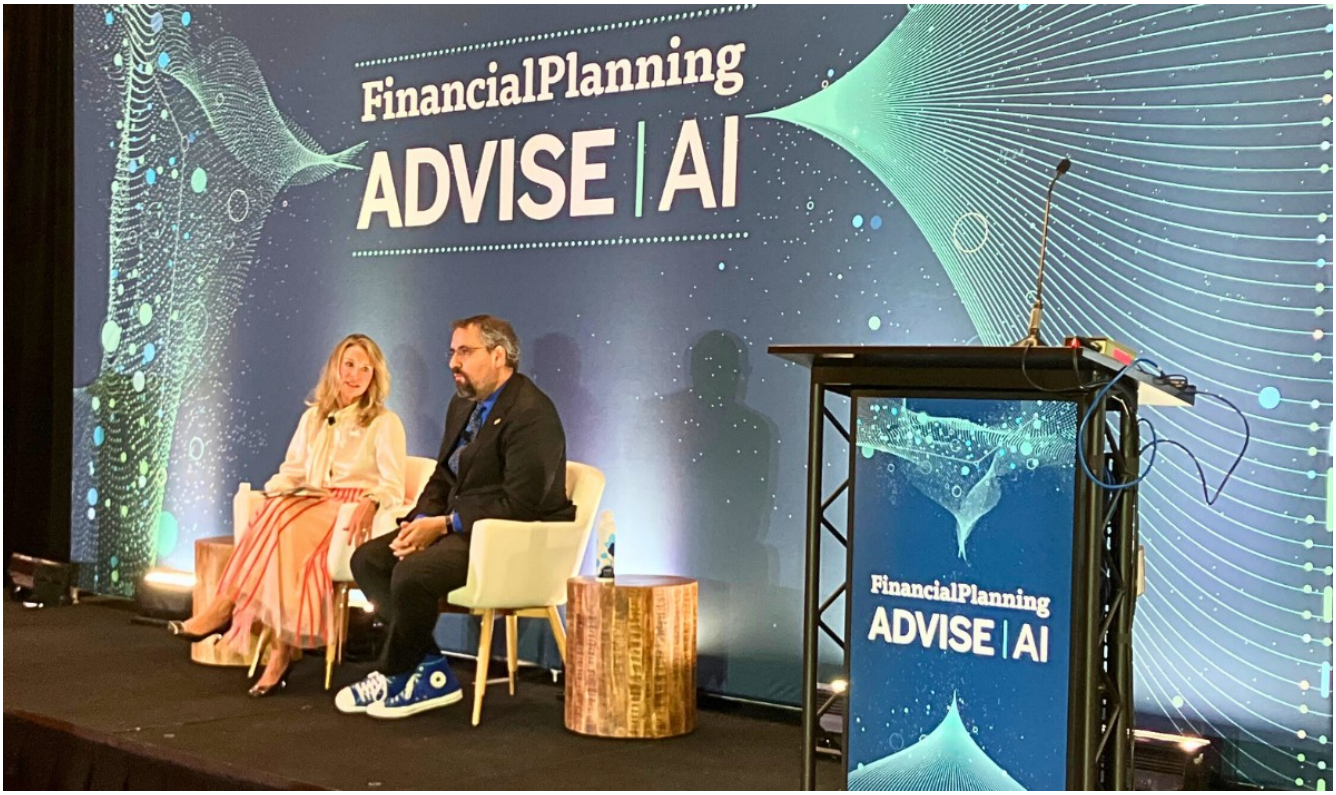

Suzanne Siracuse, left, and Michael Kitces speak Tuesday, Oct. 28 at ADVISE AI in Las Vegas.
Rob Burgess/Financial Planning

Advisors still in 'collective dabbler' stage of AI adoption: Kitces
By Rob Burgess
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Most financial advisors are still in the "collective dabbler" stage when it comes to adopting artificial intelligence, interested in its advantages but not yet fully integrating it into their practices.

That's how Michael Kitces, chief financial planning nerd at Kitces.com, described the state of AI adoption in his Tuesday morning keynote at Financial Planning's second annual ADVISE AI Conference in Las Vegas.

He was joined on stage by Suzanne Siracuse, founder and CEO of Suzanne Siracuse Consulting, for the event's opening fireside chat, a reprise of their discussion from the inaugural conference.

Kitces said most advisors are buying focused AI solutions that provide specific utility, but the technology still isn't meaningfully integrated into their daily and weekly workflows.

"It's not a sidekick buddy for the mainstream advisor," he said.

The early adopters, however, are turning into power users. "One's a calculator for numbers, one's a calculator for words," Kitces said, comparing AI tools to Microsoft Excel.

What's holding advisors back from greater AI adoption

Concerns over data security are a main constraining factor for greater advisor adoption, said Kitces. The high-stakes nature of advisors' work is another.

"We're giving advice to people about their life savings," he said. "If you get it wrong, you can get sued for very large dollar amounts. Even short of getting sued, most of us have organic growth rates that are low enough. But losing clients because the AI did something wrong, that is a small catastrophe for us."

That's why so-called "human in the loop" functions have gained more traction than pure automation.

"If I'm still involved, at least I can make sure nothing bad happens," he said. "We see very low interest in advisors, and anything that's client service oriented, they actually don't want to put AI in front of their clients."

Kitces' most recent research found that the majority of advisors reported they would never use AI for direct client service.

"Everything else they were at least willing to explore over time," he said. "Because if it says something wrong and loses me a client, there's no amount of efficiency you can give me that will make up for the fact that you cost me a client that would have stayed for 20 or 30 years, paying me thousands of dollars a year."

From CRM to compliance: Understanding where AI is most useful

Advisors have become more aware of what AI can and can't do since last year, said Siracuse.

"The more conferences are showing use cases and demos, the more educated everyone's going to be," she said.

Kitces has been bullish on meeting note-takers as one of the leading uses of AI for advisors. But, he said, the value extends well beyond the meeting itself.

"It's not just the meeting notes that's coming out," he said. "It's getting the information in the CRM. Maybe it's starting to kick off some workflows, or at least prompting them to use the CRM instead of prepping for the next meeting. So we can do the whole meeting cycle."

When paired with an email assistant, AI tools can also pull in client context from

previous communications and CRM notes, said Kitces.

"There are so many advisors that are two-finger typists," he said. "Emails are hard, even for those who can type fast. A thoughtful email for every client takes some time and mental energy, and it's so much easier to edit and create."

Compliance is another area where AI has massive potential, said Kitces.

"AI can literally read every piece of communication in or out of the firm continuously in real time, absorb all of the words and find people who are expressing complaints or negative sentiment or questionable-sounding activity that sounds like fraud," he said.

Where AI can shine for advisors: Client prospecting

When it comes to marketing, Kitces said he hasn't seen broad adoption. There are exceptions, but for most advisors, AI hasn't materialized yet as a core marketing tool.

The exception to that is in prospecting.

"Tell us your ideal client profile," he said. "We'll take in creepy amounts of marketing data that exists in certain databases out there. And then we'll generate a list of prospects for you that fit all of your criteria using all of our really cool analytics. And then we'll help you get started and outreach to them."

As someone who started out cold-calling prospects from a phone book and chasing leads from mortgage applicants, Kitces said "this kind of targeting for prospecting sounds amazing."

"This is so much better than cold-calling," he said. "But the overwhelming majority of financial advisors have to start their businesses with prospecting, because we live in eat-what-you-kill worlds. And the single primary goal that most of us have as financial advisors is to get to the point where we never have to do that. The holy grail is to do enough prospecting that you have enough clients to refer you, so that you never need to prospect again."

For general marketing, AI is "great at turning blank pages into not-blank pages and making it better," said Kitces. But he remained skeptical that AI would be useful as an off-the-shelf solution.

"It's easier to edit than create," he said. "So if this gets you started in your market commentary or your weekly newsletter or whatever it is, great. ... You might just be back to telling ChatGPT about what your clientele is and what your voice is, and giving you a first draft."